(c) whether the RBI and Central Government have taken or propose to take any concrete steps to maintain the credibility of Co-operative Banks in the country; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL) : (a) and (b) Though some of the Urban Co-operative Banks (UCBs) in certain regions of the country had faced liquidity crisis or were involved in irregularities in Government securities transactions, it cannot be said that their credibility had eroded. It has been observed that the deposits of these UCBs have been on the increase, raising from Rs. 80,840 crores in 2000-01 to Rs. 1,01,546 crores in 2002-03 which indicates the level of public confidence in them. The financial position of some of the State Co-operative Banks (SCBs) and District Central Co-operative Banks (DCCBs) are also not satisfactory. It is reported by Reserve Bank of India (RBI) that 8 SCBs and 143 DCCBs are not complying with the provisions of Section 11(1) of the Banking Regulation Act, 1949. The reasons for erosion in the value of assets of the bank are high level of overdues/non-performing assets, inadequate business per employee, high overhead cost and also weak structure of these banks.

(c) and (d) RBI has taken several regulatory and supervisory measures to strengthen the co-operative banking sector. In so far as UCBs, these include putting restrictions on their operations in Call/ Notice Money Market, regulating bank finance against shares and debentures, restricting their investment in Government and approved Securities, introduction of off—site surveillance system on UCBs, prohibiting grant of loan to Directors, guidelines for recovery of dues relating to Non-Performing Assets, etc. RBI is also reviewing the position of rural co-operative banks on a continuous basis and appraising the State Governments from time to time on the measures to be taken at their end to improve the position.

Credit/Debit cards

731. SHRIMATI BIMBA RAIKAR: Will the Minister of FINANCE be pleased to state :

(a) whether the Reserve Bank of India has taken cognizance of the menace and harassment caused by banks foisting credit/debit cards on unsuspecting customers and extracting payments later;

(b) whether such cards are being issued free initially but later renewal/service charges are being debited to customers' accounts without their prior consent and knowledge; and

(c) what steps are being taken by RBI to curb such unscrupulous practices indulged into by banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL) : (a) and (b) Reserve Bank of India (RBI) have reported that in the case of credit/debit cards, the relation between the bank and the cardholder is contractual. In order to promote credit/debit cards, many banks waive the joining fee (normally issued free) in the first year and charge annual fee, renewal fee, service charges, etc. for the subsequent years as per the contractual terms and conditions specified by these banks. In the case of credit cards, the question of debiting the accounts does not arise as the card holders need not necessarily be account holders of the bank.

(c) Banks have been advised by RBI to clearly spell out fees/charges (membership, renewal, service charges, penal charges etc.) to the cardholder at the time of their applying for credit cards. In particular, banks are required to bring to the notice of the cardholder the rates of interest to be charged in case of delays and default in payments, besides the membership/renewal fees.

In the case of debit cards, RBI have advised banks that each bank should make available to the cardholders in writing a set of contractual terms and conditions governing the issue and use of such a card. The customer availing of the credit/debit card is expected to go through the terms and conditions before accepting the card.

Grants-in-aid to State Governments

732. SHRI JANARDHANA POOJARY : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the 11th Finance Commission has recommended for release of grant-in-aid to the State Governments for utilization of the Local Bodies;

(b) if so, the details of the relevant recommendation and the amount sanctioned for period 2000-2005 for each State Government;